



# SERVICE QUALITY: A DETERMINANT OF CUSTOMER LOYALTY IN E-COMMERCE (WITH REFERENCE TO M. P.)

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## ABSTRACT

Customer loyalty is an essential asset for many online retailers for the high cost of attracting new customers on the Internet and the relative difficulty in retaining them. Customer loyalty is primarily the product of superior service quality and the trust that such service entails in the non-Internet marketplace. This study examines whether the same applies with online retailers even though their service is provided by a website interface notably lacking a human service provider. As hypothesized, customer loyalty to a specific online retailer increased with perceived better service quality both directly and through increased trust. However, the study found that the five dimensions of service quality in SERVQUAL collapse to three with online service quality: (1) tangibles, (2) a combined dimension of responsiveness, reliability, and assurance, and (3) empathy have a positive association with customer loyalty for e-commerce. For this study total 200 customers were selected who have the preferences for e-commerce. The statistical tool correlation and regression were applied.

**KEYWORDS:** e-commerce, customer loyalty, trust, service quality.

## INTRODUCTION:

Creating online customer loyalty and retaining existing customers is a necessity for online vendors. This study examines whether this goal can be achieved to some degree through increased customer trust the feeling of assurance brought about through superior service quality. The study of Reichheld and Schefter (2000) stated in line of this study about aspects of service quality found in online websites which contributed to the e-commerce. The online retailers bear 20 per cent to 40 per cent cost in attracting new customers so they feel that at same time they bear the cost of old customers in retaining by offering promotional offers. In increasing the customer loyalty, online retailers have to design marketing strategies so that customers visit sites repeatedly for purchasing. It has been observed that the market of electronic appliances have covered a large space followed by the groceries and garments. Increasing customer loyalty is an economic necessity for many online retailers.

In future customer loyalty is a serious commitment by a customer to re-purchase or re-utilize a particular product and / or service consistently. Customer maintains the relationship on the basis of his or her past experiences in terms of service quality. Indeed, customer perceptions leading to both the retention and expansion of the existing customer based towards service quality were positively related to their purchase behavior.

A customer's loyalty to your business directly relates to your customer service. The better you treat your customers — that is, the stronger and more exceptional your customer service is — the more satisfied they will be. And the more satisfied they are, the more loyal they become. Customer retention has always been essential to achieving profitable organic growth; for many organizations it will prove essential to surviving current economic conditions as well. However, many of these organizations suffer from a performance gap that will make it more difficult for them to master the retention challenges that today's more challenging economic environment may trigger.

A loyal customer base is lifeblood for all businesses. In the last few years, companies have invested billions of dollars on systems, analytics, marketing programs and other initiatives to create an outstanding customer experience, hoping to build customer loyalty. The biggest challenge is that even though the banks outperforms on all parameters namely direct sales, kiosks, ATMs, branches, retail outlets, online and contact centers there is no guarantee of customer being loyal. And, while great service does not guarantee loyalty, poor service drives customers away. Customer loyalty is a deeply held commitment by a customer to re-buy or re-patronize a particular product and / or service consistently or repetitively in the future. It is a reflection of the relationship between the customer's relative attitude towards the service provider that is often based on past experiences as well as future expectations of service quality.

## Loyalty Programmes:

The rapid growth of banks and globalization today makes the industry in a competitive situation. Every financial institution looks to foster loyalty. Whether in a highly competitive market or in handling big data, the industry becomes more sophisticated, banks are changing the ways they reach out to customers. Therefore the banks must consider how best to remain attractive to this sophisticated set of consumers, their marketing strategies to retain their most valuable customers becoming more diversified and one of them is through Loyalty program strategy.

Customers today have greater access to information and are always in the hunt for value for money, especially as non-monetary appreciation become enormously important for customer retention and revenue growth. Consumers are prone to instant satisfaction and timely special offers, and those online retailers who can't deliver will be left behind. These online retailers provide a single platform to enable end-to-end enterprise loyalty. Relationship Managers can roll out reward, benefits and loyalty programs, creating compelling offers to attract and retain clients. Loyalty programs in wallet share incentivize desired behaviour and encourage growth. The result is happier customers increased profits in long run.

The loyalty programs are becoming more prevalent and less exclusive. Majority of online retailers design their loyalty programs around an average consumer. In a highly competitive banking environment, where customers can easily switch to a rival with a more attractive proposal, a lack of attention to a bank's loyalty program can cause customer churn.

The loyalty programs help online retailers to manage customer database on customer segmentation not only according to their income level or demographic criteria, but also according to their lifestyles and purchasing behaviour. CRM help banks to launch smart reward programs with personalization and customization of services. CRM helps to identify and target the most profitable ones as well as eliminate those programs that do not deliver significant value. Customer retention can be enhanced by ensuring digitization of loyalty programs. Online retailers should offer channel view on customers' rewards. Customers should be able to view their loyalty points from any platform be it online, phone banking or mobile banking.

## Quality of Service:

Quality service has been given a lot prominence as a major ingredient of customer retention. In order to provide quality service it should first of all understand customers and their expectations. Quality consists of a number of dimensions, which were categorized for services into five dimensions by Parasuraman et al (1988) within the SERVQUAL measurement instrument. These are; first, the gap between customer's expectation and management perception — management may fail to decipher correctly what customers want, Secondly, the gap between management and customer perception on service quality. In this case the management might correctly perceive the customers' needs and wants but fail to set specified performance standards as per the customer expectations. Third, the gap between service quality stipulations and service delivery — employees may lack the requisite skills or be unwilling to meet performance standards.

Fourth, the gap between service delivery and external communications — customers may be affected by the company image and advertisements. Lastly, the gap between apparent and anticipated service — this occurs when customers have a different perception on the service being offered. The primary purpose of quality service to customers is to achieve a broad customer base, loyalty and retention. This means that online retailers must strive to be efficient and be able to provide competitive services in order to meet customers' satisfaction and customers' perception of value.

Customers are valuable asset that must be properly kept satisfied. Customer satisfaction is an emerging issue for the organizations today especially the firms that are operating beyond the boundaries. If the service deliveries fall short of cus-

tomer expectation it will result into disappointed customer. The satisfied customers actually are the assets of company as they remain loyal for long terms and give long term benefits to organization. They will perform their duties more efficiently and they will be more focused on their job causing their customers to be more satisfied in return.

**Tangibles:** This dimension deals with the physical environment. It relates to customer assessments of the facilities, equipment, and appearance of those providing the service.

**Reliability:** It denotes the validity in services as promised by the online retailers to their customers.

**Responsiveness:** This dimension deals with customer perceptions about the willingness of the service provider to help the customers and not shrug off their requests for assistance.

**Assurance:** This dimension deals with customer perceptions that the service providers behaviour instils confidence in them through the providers courtesy and ability.

**Empathy:** This dimension deals with customer perceptions that the service provider is giving them individualized attention and has their best interests at heart.

#### LITERATURE REVIEW:

Kaur, Sharma, and Neha (2014) found in their study there to be five types of switching barriers and supports a two dimensional loyalty construct. This underlying structure implies that it might be valid for banks to use either punitive or more reward-based switching barriers to keep customers doing business with them. In addition, the investigation provides new information in relation to the link between these two types of switching barriers and the attitudinal and behavioral loyalty of dissatisfied retail banking customers. The lack of alternatives was not found to be associated with customer loyalty.

The findings also suggest that both attitudinal and behavioral loyalties are highly correlated and that switching barriers have a stronger effect on behavioral loyalty, in particular when dealing with punitive switching barriers, such as switching costs. The results found that online retailers to prevent customers from switching should mainly use reward-based offers which is in line with the findings of Vázquez-Carrasco and Foxall (2006) that argued that positive switching barriers play a greater role in determining customer loyalty. Banks may be able to do this by increasing the level of customer trust, the value congruency and the interpersonal relationship with customers.

The purpose of the study by Odindo (2013) is to provide insights into issues related to customer satisfaction, loyalty and retention which will prove useful to managers in financial services. After considering customer satisfaction which have a direct consequence on service quality customer satisfaction and service quality are often presented as closely related while others believe that satisfaction is affected by pre-existing ideas of quality. Service quality which results from a comparison of customers' expectations can be described as an attitude with the actual provision of a particular service by an organization.

According to Valenzuela (2012) focused on the influence on customer loyalty to prevent customers from switching to other banks. This paper proposes that the mixed conclusions are due to there being two types of switching barriers - rewarding and punitive- and two types of customer loyalty -attitudinal and behavioral. The association between switching barriers and customer loyalty depends on the customization of services on this competitive environment. This study shows that the more rewarding switching barrier dimensions are positively related to the loyalty of dissatisfied retail banking customers.

#### OBJECTIVES OF STUDY:

The primary objective of this study is to measure the relationship among the determinants of service quality with customer loyalty in the perspective of e-commerce.

#### HYPOTHESIS OF THE STUDY:

**H<sub>0</sub>1:** There is no significant difference in the relationship among determinants of service quality with customer loyalty in terms of e-commerce.

**H<sub>1</sub>1:** There is a significant difference in the relationship among determinants of service quality with customer loyalty in terms of e-commerce.

#### RESEARCH METHODOLOGY:

In this study, survey research design is adopted. Survey research design was chosen because the sampled elements and the variables that are being studied are simply being observed as they are without making any attempt to control and manipulate them.

**Study Area:** In the study, the researcher has included 200 customers those prefer e-commerce for availing of various services in M.P as the study area.

**Data Collection:** Primary Data collection was collected through Specific self-

designed Questionnaire based on the 5-Point Likert Scale to measure the relationship. Also, Secondary Data was procured from Internet Websites, Journals and E-Journals, Books / Magazines, Research Papers.

#### Sampling Technique:

For effective coverage lower cost purposive sampling technique was used to select the participating respondents.

**Sample Size:** 200 customers were selected from the above mentioned segments.

#### Data Collection Instrument:

The questionnaire was developed into many parts in such a way as to reflect their perception towards the service quality provided by e-commerce as the researcher aimed to keep the parts of questionnaire similar in content in order to get a comprehensive view.

The results of the reliability analyses determined that the Cronbach's  $\alpha$  values was 0.932 for questionnaire. Thus, it is concluded that the questionnaire used in this study have high reliability.

**Data Analysis Tests:** Correlation Matrix was applied to measure the relationship among determinants of service quality.

#### RESULTS & FINDINGS:

Table 1: Correlation matrix

Customer Loyalty	Tangibility & Customer Loyalty	Responsiveness & Customer Loyalty	Reliability & Customer Loyalty	Assurance & Customer Loyalty	Empathy & Customer Loyalty
R	.870	.763	.653	.849	.770
R2	.756	.582	.426	.720	.592
Sig.	.001	.002	.000	.002	.009

*Correlation is significant at the 0.01 level (2-tailed).*

#### Relationship between determinants of Service quality:

Table 1 presents result of correlation coefficients between determinants of service quality for e-commerce in terms of tangibility, responsiveness, reliability, assurance and empathy with customer loyalty. Significant positive correlations were observed for all the components and for the total score indicating a mutual relationship between each factor and between each factor to total scores. In other words, as the scores in one component increased scores in the other component also increased linearly and significantly and Vice-versa. Maximum correlations were observed between tangibility and customer loyalty, ( $r=.870$ ) followed by responsiveness ( $r=.763$ ), reliability ( $r=.653$ ), assurance ( $r=.849$ ) and empathy ( $r=.770$ ) ( $r=.768$ ). Hence, the null hypothesis is rejected and concluded that there is a difference in the relationship among determinants of service quality with customer loyalty.

#### CONCLUSION:

E-commerce is continuously engaged customers by offering the supplementary services. Regarding the participation of customers for improvements found that customer engagement has also strong relations with corporate image as online retailers are proactive towards their customers' needs and expectations. In line with the present study, Marple, M and Zimmerman, M (1999) revealed that customers are engaged when they can be sure that their grievances are resolved in time and information about various reward and benefits programmes delivered to them in timely manner. Then they can be retained in availing the services.

#### SUGGESTIONS:

Successful loyalty programs should focus more on brand affinity than frequency of purchase. It should not be just another loyalty programs as the market is flooded with many of them.

- Loyal customers have huge expectations and have zero or low tolerance in case of service failure.
- Service recovery programs should be designed such which can control all the reasons for customer exit
- Personalized debit cards with options of selecting account numbers, having wedding/birthday photo embossed on cards create positivity in the minds of customers and give them a sense of pride.
- Social media platforms like Facebook, LinkedIn and Twitter should be used to get connected with customers. It helps in fostering a positive brand building and customer engagement.

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